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Analysis of 1988 Bank Marketing Expenditures

1989 Research Report

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The *Analysis* of Marketing Expenditures is conducted annually to provide bank marketers with an understanding of how financial institutions of all sizes and in all types of markets spend their marketing budget. This expanded 7th Edition of the *Analysis* contains data from more than 960 banks across the nation.

Using the Findings

This study can be helpful to your bank in providing a frame of reference for your budgeting. As you read the more than 2,200 statistics and become acquainted with the information, you will see certain patterns emerge in media usage and marketing emphasis as the size of the bank or its market changes.

At the same time, the *Analysis* is not designed to show you specifically how much your bank should spend on marketing. As pointed out in the following pages, your bank's budget ultimately should be determined by your objectives and your marketing environment, including your market and your competitors.

You will, however, find this publication very helpful in building your budget, explaining it to your management, and in identifying overall trends in bank marketing expenditures.

Comparing Years and Trends

While this 7th Edition of the *Analysis* has been expanded to contain even more information than previous editions, the format for most of the statistical tables correlates to those of the six prior editions (1982 through 1987) so that you may compare changes in the data. If you would like to examine results of prior *Analyses*, you may order copies for the years 1982 through 1987 from the Bank Marketing Association.

Methodology

To ensure that information in the survey can be compared year to year, the methodology used in the 7th Edition is similar to prior years. The questionnaire was mailed to a random sample of banks nationwide. The sample was chosen by "nth" name selection from among two asset groups: Those banks under $100 million in assets (6,274) and those over $100 million in assets (3,365). The samples are divided into the two sampling groups to allow for a lower response rate among community banks as experienced in previous surveys.

After a follow-up mailing, responses were cut off April 24, 1989.

A total of 1029 questionnaires had been returned at the cutoff date and, of these, 962 were useable returns. They were distributed among nine asset ranges as follows:

In $ millions	Number Responding	Percentage of Survey
Under $10	26	3%
$10 - $25	105	11
$25 - $50	140	14
$50 - $100	210	22
$100 - $250	269	28
$250 - $500	97	10
$500 - $1 billion	55	6
$1 billion - $5 billion	49	5
Over $5 billion	11	1

Each questionnaire was edited for accuracy and checked for completion, then the data were computer tabulated, examined for consistency and verified for accuracy.

Presentation of Statistics

The survey information is presented in several formats in this book to aid in understanding the data:

- Percentage terms
- Dollar averages
- Dollar medians

The **percentages** shown in the tables are based on the number of respondents answering each specific question (unless noted otherwise) and are rounded to the nearest whole percentage.

The word **"average"** in the tables indicates the arithmetic mean. The averages for each category are based on the number of banks answering each question. Since the number of banks varies from category to category, the sum of the individual line item averages may not be the same as the "total" averages.

The **median** is the middle value from a list of rank-ordered values. For example, consider the following values:

- $4,000
- $4,000
- $4,200
- $5,000
- $18,400

While the average is $7,120, the median is only $4,200. Because the average is sensitive to extreme values ($18,400 in this example) and the median is not, the median may at times represent a more appropriate estimate than the average.

You also will note that some tables include "minimum and maximum" values. These data are included to illustrate the range of respondent answers for certain questions so that the reader can examine both of these extremes in addition to the average and median.

All dollar figures in the tables are reported in thousands and are rounded to the nearest $100.

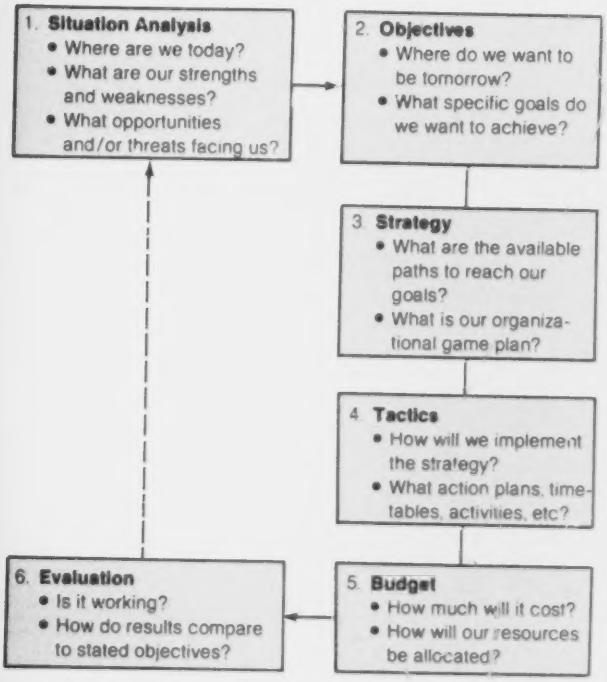
A written plan is the blueprint for your bank's marketing activities.

It brings organization and efficiency to both the short term and long term activities of the bank. With a plan, staff and suppliers have time to prepare and implement programs, reducing the risk of errors or expenses that accompany unplanned marketing. The plan assures that your bank's marketing activities occur in an orderly sequence, reaching the right prospects, with the right products, at the right time, at the lowest expense possible.

A marketing plan provides administrative advantages within the bank, too. It alerts other staff when to prepare for certain customer responses and assures that other key individuals in the organization understand the bank's goals. Thus, the planning process should accommodate input from many different personnel and departments in the bank.

Creating a Plan

There are six key components in a marketing plan:


1. Situation Analysis
• Where are we today?
• What are our strengths and weaknesses?
• What opportunities and/or threats facing us?
2. Objectives
• Where do we want to be tomorrow?
• What specific goals do we want to achieve?
3. Strategy
• What are the available paths to reach our goals?
• What is our organizational game plan?
4. Tactics
• How will we implement the strategy?
• What action plans, timetables, activities, etc?
5. Budget
• How much will it cost?
• How will our resources be allocated?
6. Evaluation
• Is it working?
• How do results compare to stated objectives?

Once it is developed, your plan should be considered an evolutionary document. Each plan your bank prepares will be more accurate and thorough than earlier ones. For that reason consider the plan a flexible document that changes with the marketplace and your bank's growth.

Methods of Budgeting

The budgeting process assigns costs to the marketing activities or tasks that will implement the strategies you have selected to achieve your goals. Marketing budget decisions are among the most important that bank managers make because they can significantly affect the growth, profitability and strength of the bank.

The central decision, of course, is the amount of the budget. Determining the amount is a combination of both art and science and there are several methods which you can use alone or in combination to determine how much to spend and where to spend it. These various methods traditionally include rules of thumb which may seem relatively quick and easy to use, but each has certain shortcomings as described here. Nevertheless, they may be helpful as general guidelines or checks on budgeting decisions.

They can be classified into three general types, and several methods within the types:

1. Formula or Mathematical Techniques

a) ***Percentage of Assets Method:*** This convenient rule of thumb sets the budget based on the asset or deposit size of the bank. The formula commonly is stated as "1/10 of one per cent of assets" of "$1,000 in expenditures per million dollars of assets." This method can be helpful as a quick measure of how much a bank might spend, and it certainly is easy to use. It also reflects the likelihood that the larger the bank, the larger its marketing budget. However, it has many shortcomings. It does not take into account the other important factors which enter into planning, such as competitors' spending. Banks in a large urban market will usually spend more than banks of similar size in rural markets with less concentrated competition. Moreover, using current or forecasted assets as the basis of the budget ignores the purpose of marketing. Marketing expenditures, after all, should be affecting the level of assets, not the other way around.

b) ***Incremental Method:*** When advertisers take the previous year's budget, and add on an increase for inflation — say 5% to 10% — they are using another formula technique, the incremental method. This method is easy to use, and may sound persuasive to those who are not involved in marketing but have a role in reviewing the budget. The underlying assumption, of course, is that this year's goals and strategies can imitate last year's. That's probably only true if you are convinced that past performance was so good that you only need to repeat the same strategies and tactics. But simply doing 'more of the same' may allow

your marketing to become stale, or to repeat ineffective programs since no evaluation takes place. Furthermore, most banks will want to adjust their marketing programs in the face of external changes such as legislative developments, changing consumer markets, competitors' action and other factors.

2. Subjective Techniques

a) ***"All We Can Afford" Method:*** The most common subjective budgeting method is for management to simply give marketing whatever is left over after other expenses have been budgeted and a satisfactory profit planned. This method relegates marketing to secondary status and does not consider the potential benefits which can be gained from effective marketing. It is possible that with this method the resulting budget will be too small to be effective. Or, at the other extreme, more may be spent than is necessary. For instance, a point can be reached in newspaper advertising (or other media) where increasing the number of insertions may not be incrementally profitable. Furthermore, budgets that fluctuate significantly from year to year will make continuity and the attainment of long term objectives very difficult to achieve.

b) ***Competitive Parity Method:*** This method allows you to 'keep up with the competition' by matching them in their marketing expenditures. It may sound like a logical basis for spending, but in reality it allows your competitors with different resources and objectives to dictate your budget. The assumption underlying this approach is that all financial institutions in the marketplace have the same opportunities for profitable marketing and the same objectives. More likely, both your opportunities and your objectives differ from competitors' and thus this method can fail to achieve marketing success. Nonetheless, knowing competitors' expenditures is a key ingredient in preparing your own bank's plan.

While all of the above methods have their advantages, overall they limit the bank's flexibility and do not relate your marketing expenditures to your specific bank's marketing objectives. And, while a budget created by any of these methods may be easily approved by management, little planning or analysis has taken place. Thus, they are most useful in creating parameters to be used in conjunction with a more analytical procedure such as the following:

3. Objective and Task Method

This method tailors the marketing budget to the specific objectives of your bank and its market.

The technique requires that you first determine what are the marketing objectives of your bank. Next, create strategies and tactics which you believe will achieve your objectives, then assign costs to the marketing activities you will use to achieve your goals. While advertising usually accounts for the largest portion of the marketing budget, don't overlook the other marketing functions: public relations, sales promotion, sales training and marketing research.

Costs are assigned to these functions based on the contribution you anticipate they will make in achieving the objectives. Thus, the budget becomes the marketing plan in dollar terms.

Allocating the Budget

Additional budget decisions have to do with how the total budget is allocated. Types of allocations include:

- **Functional:** apportioning the budget between advertising, public relations, sales promotion, selling, and marketing research.
- **Media:** allocation within functions to various advertising media, (newspapers, radio, TV, etc.) sales promotion tools and public relations vehicles.
- **Product:** assigning funds to individual or groups of products; among new versus established bank products.
- **Geographic:** local, regional, national

Many of the tables in this *Analysis* are organized to present the data by these four types of allocations to make your comparisons easier and more meaningful.

Once your budget is prepared, the next step is to secure management's approval.

Approval of the Budget and Plan

Your plan won't be successful unless it is approved and supported by management. Keeping the following points in mind will help achieve the plan's acceptance by management.

- Anticipate management's objections and prepare satisfactory responses for them.
- Position marketing expenditures not simply as costs, but as an investment that builds the foundation for future profits.
- Do your homework. Know the history of the bank's marketing expenditures and those of its competitors in prior years. Learn about successes and failures, which media have been productive, and which have not. Perhaps most important, be on the same 'wavelength' as management in terms of what the bank wants to accomplish. Know the marketing problems and formulate strategies to solve them.
- Be able to justify the marketing expenditures you recommend. In effect, you are competing for funds

or other resources with other departments of the bank.

- Develop arguments to counter proposals to stop or curtail marketing activities during temporary adverse conditions.
- Maintain your credibility and submit realistic numbers. Don't 'go in high.' Stress that your budget is not padded and that it represents the least expense that can be expected to achieve the desired objectives.
- Track and evaluate marketing activities. Management is more likely to accept your budget if it understands you watch closely over the money that is spent.

Using Your Plan

Marketing opportunities seem to change constantly. But don't merely react to events on a day-to-day basis. Use your marketing plan as a roadmap for actionable results, allocating your resources based on your stated objectives.

An effective marketing plan is not set in stone, but rather can be adapted to changing economic and competitive conditions. When circumstances change, be ready to cut or expand your budget to meet changing revenue or profit requirements -- or to take advantage of new marketing opportunities.

The planning process in your bank should be an ongoing and dynamic activity. The plan is a working document which should be used daily, updated and reviewed, rather than tucked away in a file once it is approved. Most marketing plans are threadbare long before the year is over. If your marketing plan is written properly, it will contain quantifiable objectives which can be measured periodically throughout the year. Review your program results frequently — at least on a monthly basis — to track your progress in time to alter the plan if necessary.

Most managements also will ask for a periodic budget review to measure variances, whether below or above the budget amounts. If the expenditures are exceeding budget, find the reason: Have the underlying budget assumptions changed? Are unforeseen influences causing the variance? If so, perhaps the objectives should be changed. Or, if goals are being met or exceeded, perhaps the budget can be reduced, or allocated to another objective. To many managements, being under-budget can be as bad as being over-budget. Failure to implement planned programs can improve the expenditures outlook, but results may suffer significantly later in the year.

In summary, systematic planning is evolutionary. Each time you prepare a plan, and each time you revise it during implementation, you will improve your own skills and the effectiveness of your bank's marketing program.

The *Analysis* can be helpful to you regardless of which method you use in preparing your own bank's budget.

Be sure to consult all the tables here which delineate the statistics by various characteristics beyond bank asset size. For example, market size and market type, shown in Tables 6 and 7, appear to have a significant impact on the size of the budget.

This study will be of maximum value if your marketing budget is broken down into the same basic categories as those in the survey. The basic categories used here are:

- Advertising
- Public Relations
- Sales Promotion
- Staff Sales/Customer Relations Training
- Marketing Research

Obviously, when making comparisons, it is important to be comparing similar items.

Defining terms

The items used on the "Expenditures" questionnaire were built around generally accepted industry definitions for consistency among responding banks.

Nevertheless, check your bank's classifications of expenditures to determine if there are any major differences with these before proceeding with any specific comparisons.

In fact, you may find it convenient to use the table format and descriptions we have used, such as Table 1, to set up your own 1990 budget to assure that the data will be comparable in the future.

A special word on advertising . . . the largest part of your marketing budget will most likely be advertising. In fact, on the average 61% of responding banks' marketing budgets go to advertising. And these advertising decisions are becoming more and more complex. Media choices are multiplying. Television is very effective for many services, but it is expensive. Cable television is a growing force in many markets but often reaches narrower segments. New magazines are emerging with more regional, state, and city editions available. Computers are offering limitless combinations of lists for more effective use of direct mail. Radio stations can change formats — and audiences — periodically. The point is that media planning is dynamic because the media themselves are changing and the media mix will differ depending upon the service to be sold. More of your attention will, of necessity, be directed to the planning and budgeting of this area than to any other.

Limitations of the survey

While the survey sampling was taken among both BMA members and nonmembers, it can be assumed that there is a higher response rate among members than nonmembers. Because BMA members may tend to spend more or differently on marketing than nonmembers, the reader should take this potential bias into consideration.

Care was taken to make the definitions of expenditures universally acceptable but at the same time specific enough to be useful to the reader. Nevertheless, respondents may interpret questions differently, indicating an expenditure in an incorrect category.

Finally, the study is not a census of actual expenditures, but more a sampling of data from responding banks' records. As such it represents only a portion of all U.S. banks. The tables and individual statistics therefore should be used in relative terms to make comparisons rather than in absolute terms.

The total marketing expenditures made by responding banks during 1988 are shown in the first two tables on pages 9 and 12. They show the average and median expenditure for each of 30 different marketing categories, and for the five major functional areas:

- Advertising
- Public Relations
- Sales Promotion
- Staff Sales/Customer Relations Training
- Marketing Research

Table 1 shows the average amount for each expenditure while Table 2 shows the median or middle value.

By reading the column headings across the top of each table, you can locate the asset range for your bank and determine the dollar amount of the expenditure in each category. For example, to learn how much banks with $400 million in assets spent on radio, simply read down the column with the heading "$250 - $500 million" to the row for "radio" and you will see the amount $23,500. The comparable figure for the median expenditure is shown in Table 2 —$19,600.

The total marketing expenditure for the year is shown in the bottom line of both tables. Continuing the example of the $400 million bank, the total average budget was $284,500 while the median expenditure was slightly lower, $264,000.

Because not all respondents included detail for each line item, the averages in each of the line items will not necessarily sum to the bottom "total" line in these two tables. Nevertheless, each individual line item and the "total" at the bottom represent the average or median as the case may be for all banks which reported an expenditure.

Average Expenditures

The average marketing expenditures for banks in 1988 are shown both in the bottom row of Table 1 and in graph form in Figure A on Page 8. While the banks under $10 million in assets spent $12,400, the largest banks spent $5,333,400.

To help understand how the average expenditure relates to the size of the bank, an index can be created by dividing the average marketing expenditure in each asset range by the midpoint of that range. The following graph shows how the index varies with the size of the bank and how the years 1987 and 1988 compare.

Asset Range In Millions	1987	1988
Under $10	.142%	.165%
$ 10 — $ 25	.103	.129
$ 25 — $ 50	.086	.100
$ 50 — $100	.073	.078
$100 — $250	.073	.070
$250 — $500	.079	.075
$500 — $1 Bil	.075	.078
$1 Bil — $5 Bil	.052	.048
$5 Bil. or more	.051	.043

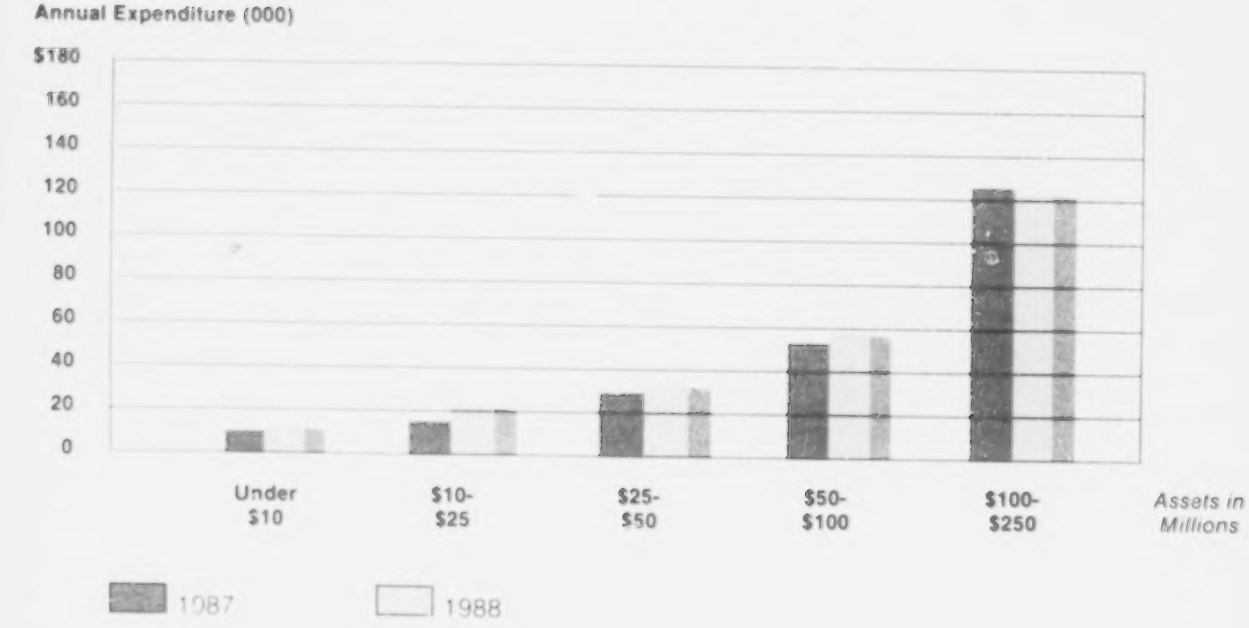
Although the total marketing expenditure in dollars increases as the size of the bank increases, the total budget as a percentage of total assets declines steadily with the size of the bank. This could be accounted for by a number of factors. Larger banks enjoy economies of scale in buying, especially for media and in such areas as consulting or advertising agency services. Banks also shift their emphasis among the various marketing functions as they grow. This is explored in more detail in Table 3.

While the index is helpful in understanding how the size of the budget varies with the bank, it should only be used in the broadest sense, and not as a formula for creating your marketing budget. Not only are the data derived from relatively wide asset ranges, but there are extreme variances in expenditures within each range. Furthermore, as noted in the section "Budgeting for Bank Marketing" the budgeting process involves many factors beyond simply allocating a percentage of assets to marketing. Other data later in this report show how the size of the marketing budget also is influenced by the type and size of market.

1987 AND 1988 AVERAGE MARKETING EXPENDITURES

The two graphs below compare the total average expenditures for 1987 and 1988 by asset size (Data for 1988 from Table 1, text on Page 7).

Figure A



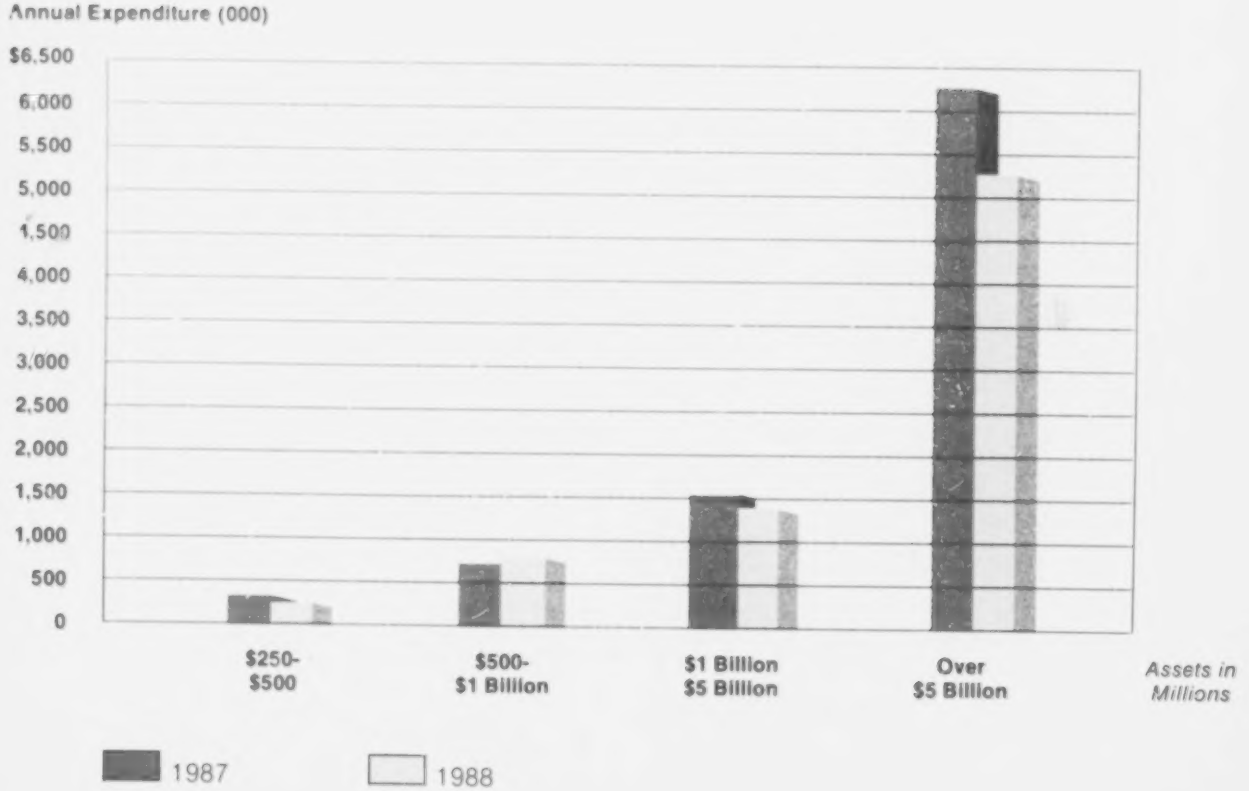


TABLE 1
AVERAGE MARKETING EXPENDITURES BY EXPENDITURE TYPE AND ASSET SIZE
(All Reporting Banks - 1988, $000)

Expenditure Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
ADVERTISING									
Magazines (consumer, trade, etc.)	$ .6	$ 1.6	$ 1.8	$ 1.9	$ 4.0	$ 5.1	$ 19.8	$ 53.4	$ 95.7
Directories (telephone, bank, city, etc.)	.7	.9	1.8	2.3	4.1	6.9	14.8	25.2	73.5
Newspapers	2.2	5.3	8.5	10.3	21.3	57.0	123.2	306.7	1269.8
Television	4.1	3.4	2.7	7.9	14.9	25.2	63.1	210.0	1427.7
Radio	2.8	3.9	5.5	7.5	16.1	23.5	63.3	114.0	228.4
Direct Response (direct mail, literature, lists, postage, stuffers, telemarketing)	1.2	2.3	3.2	4.2	8.6	16.7	36.9	171.1	290.7
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	4.2	3.8	3.5	4.5	8.9	15.5	29.9	56.6	91.5
Production Expenses (artwork, talent, etc.)	7.3	2.6	3.9	3.8	10.4	28.5	59.8	124.6	691.7
Fees & Commissions (advertising agency, media representative, consultants, etc.)	2.0	3.8	5.7	5.7	9.0	24.4	40.8	94.1	195.5
All Other Advertising	1.5	4.4	4.6	8.6	10.5	12.1	49.8	121.0	217.7
Sub-Total for Advertising	**6.5**	**13.3**	**22.1**	**33.6**	**72.4**	**171.5**	**373.4**	**1014.8**	**3930.7**
PUBLIC RELATIONS									
Stockholder/Investment Community (annual report, meetings, etc.)	1.0	1.6	2.3	2.9	7.6	20.3	37.1	68.1	267.7
Media Relations (press releases, press conferences, etc.)	.2	1.9	.9	.6	1.7	3.7	8.7	14.4	71.3
Publications (community service publications, newsletters, etc.)	1.1	1.5	1.5	1.8	4.1	10.6	18.1	26.7	101.3
Special Events (seminars, anniversaries, open house, etc.)	3.0	2.7	2.3	3.7	7.3	15.5	25.3	44.9	70.2
Public Relations Consultants Fees	2.8	2.2	6.2	3.1	8.2	24.2	21.4	41.5	63.6
Donations (includes donation advertising—schools, churches, civic clubs)	1.8	2.2	3.9	6.8	13.0	24.2	35.2	125.8	753.3
All Other Public Relations	1.2	2.2	3.4	5.4	10.4	16.6	30.0	61.1	457.4
Sub-Total for Public Relations	**4.0**	**5.2**	**8.0**	**14.1**	**29.8**	**65.7**	**101.3**	**257.8**	**899.6**
SALES PROMOTION									
Net Premium Expense (cost of premiums less revenues from premium sales)	2.3	1.3	4.9	2.7	6.0	9.8	28.8	22.8	55.8
Newcomer Services (non-salary only)	2.0	1.3	.9	.8	2.0	4.1	5.0	13.9	43.3
Specialties (giveaways, such as calendars, pens, etc.)	1.7	2.3	4.0	5.2	8.2	15.4	17.0	26.2	34.2
Point-of-Sale Materials (displays, banners, brochures, etc.)	.3	1.5	1.8	1.9	3.8	9.6	32.6	63.5	189.0
Employee Incentives (non-salary expenses directly related to employee sales/customer relations efforts)	1.6	3.2	1.9	3.6	6.0	12.3	25.1	41.2	107.6
All Other Sales Promotion Expenses	1.5	3.8	3.4	2.3	5.8	7.4	45.3	33.8	169.9
Sub-Total for Sales Promotion	**2.7**	**3.7**	**6.4**	**7.9**	**15.7**	**35.8**	**72.0**	**119.9**	**254.2**
STAFF SALES/CUSTOMER RELATIONS TRAINING									
External Expenses (consultant fees, materials, facilities, etc.)	1.5	2.9	2.6	2.1	5.7	6.1	28.1	30.4	333.0
Non-Salary Internal Expenses (development, printing, classroom, etc.)	.1	1.3	1.5	1.6	1.9	2.7	18.0	13.5	60.0
All Other Sales Staff/Customer Relations Training	1.0	2.4	1.9	2.5	3.9	5.5	11.9	6.7	
Sub-Total for Staff Sales/Customer Relations Training	**1.3**	**2.8**	**2.7**	**3.5**	**6.3**	**8.3**	**34.3**	**37.0**	**314.4**
MARKETING RESEARCH									
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)		6.5	1.6	2.9	9.2	7.1	23.0	53.7	255.8
Non-Salary Internal Expenses		.6	.6	1.1	1.7	5.7	10.2	14.5	27.3
All Other Marketing Research		1.3	1.6	2.4	1.5	4.6	14.5	11.1	95.0
Sub-Total for Marketing Research		**3.2**	**4.0**	**5.3**	**7.9**	**7.4**	**26.0**	**59.6**	**315.8**
All Other Non-Salary Marketing Expenses		10.6	4.3	11.0	18.3	40.2	32.9	70.4	
Total Marketing Expenditures	**12.4**	**22.7**	**37.5**	**58.8**	**124.2**	**284.5**	**588.7**	**1461.4**	**5333.4**

Median Expenditures

The median expenditure for each line item and the five major marketing functions is shown in Table 2. Typically, the median is somewhat lower than the average computed, as is the case in Table 2.

For the total marketing budget, the median expenditure ranges from $7,800 in the smallest banks to $4,524,000 among the largest. As shown by the graph on Page 11, these figures compare to a range of $7,000 to $5,343,000 in 1987.

Median expenditures for advertising in 1988 range from $4,000 among smallest banks to $3,912,000 among the largest.

The median expenditure for public relations starts at $2,000 in the banks with less than $10 million in assets and increases to $550,000 in the banks with more than $5 billion in assets.

Sales promotion median expenditures range from a low $1,900 in the smallest banks to $220,000 in the largest.

Expenditures for staff sales/customer relations training are similar to those for sales promotion, with a low of $1,200 in banks with $10 million to $25 million in assets and increasing to $150,000 at the largest banks.

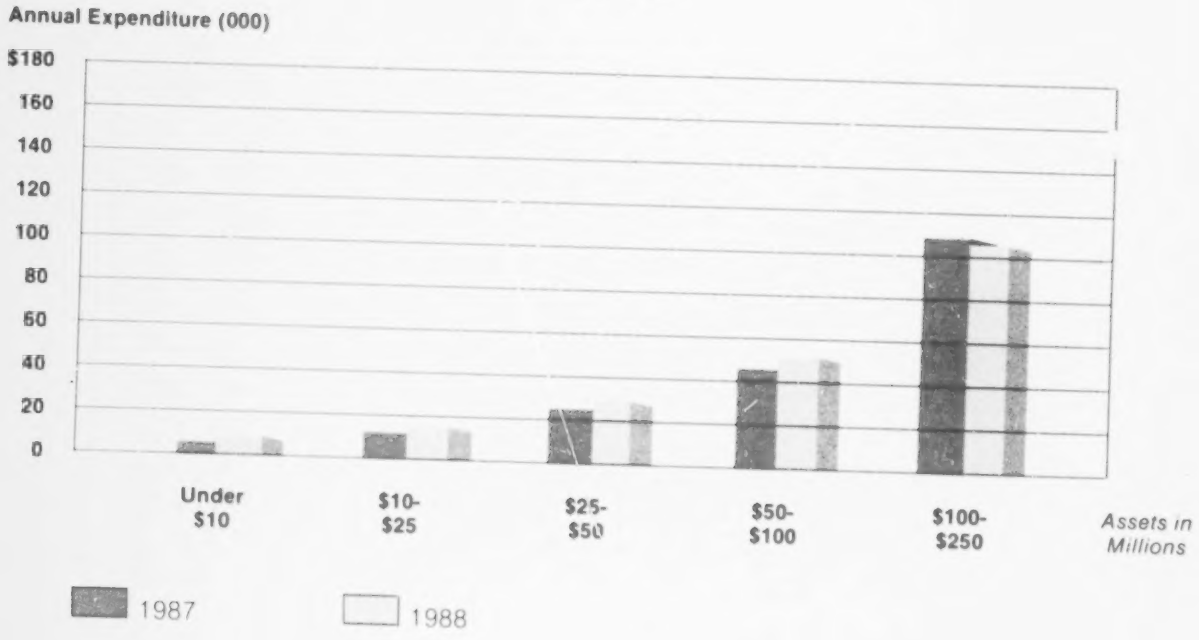
Median expenditures for marketing research range from only $800 in banks with $10 million to $25 million in assets to a high of $227,800 in banks with $5 billion or more in assets.

The differences between median and average expenditures are especially marked in the mass media. For example, while banks under $10 million spent an **average** of $4,100 on television, the **median** expenditure was $1,200. And, among the largest banks, the **average** television expenditure was $1,427,700 compared to a **median** of $1,092,400.

1987 and 1988 MEDIAN MARKETING EXPENDITURES

The two graphs below compare median expenditures by asset size for 1987 and 1988 (Data for 1988 from Table 2; text on Page 10).

Figure B



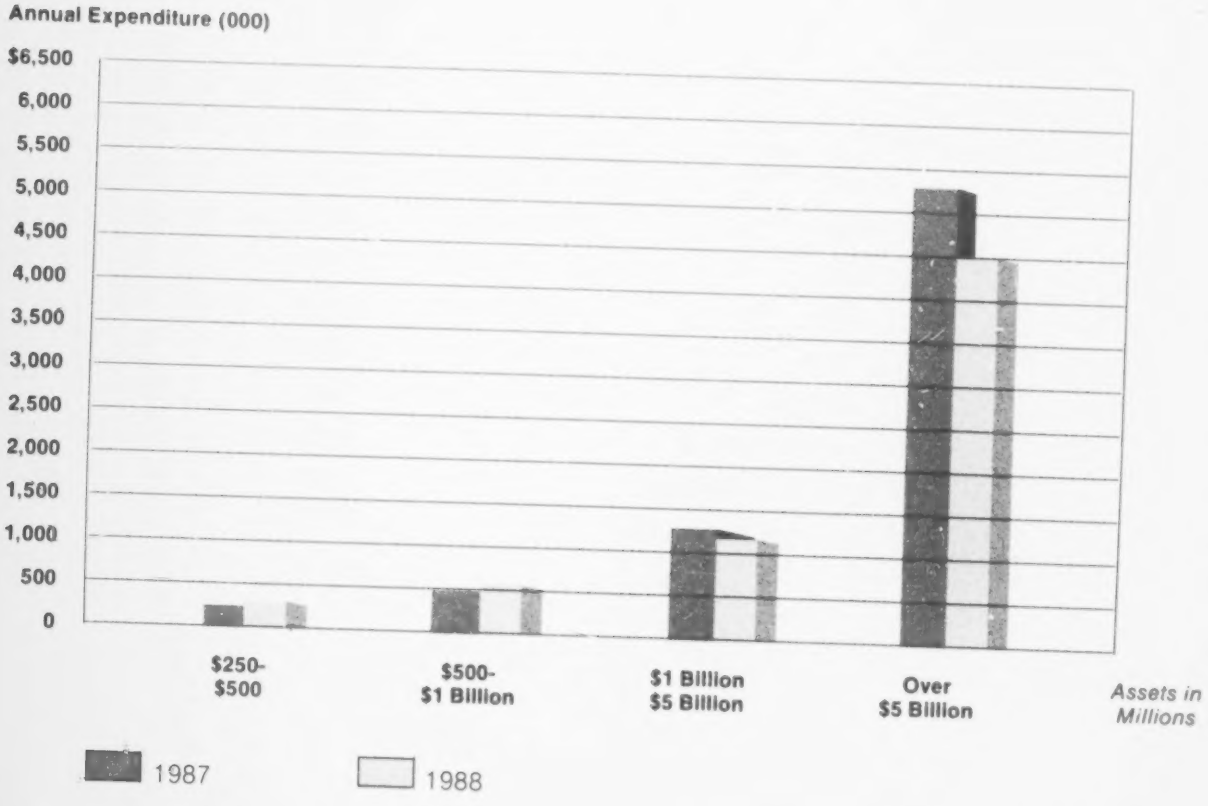


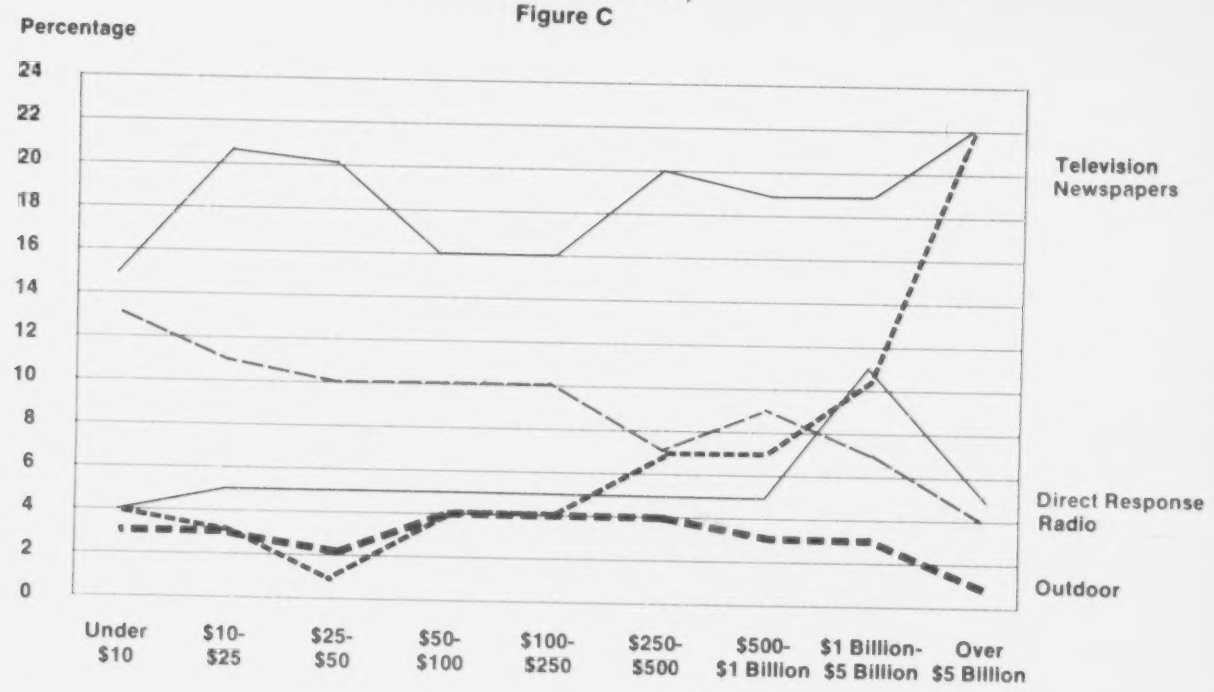
TABLE 2
MEDIAN MARKETING EXPENDITURES BY EXPENDITURE TYPE AND ASSET SIZE
(All Reporting Banks - 1988, $000)

Expenditure Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
ADVERTISING									
Magazines (consumer, trade, etc.)	$ 5	$ 8	$ 10	$ 10	$ 20	$ 41	$ 115	$ 220	$ 750
Directories (telephone, bank, city, etc.)	5	6	10	18	29	54	100	180	750
Newspapers	13	37	60	87	160	470	977	2000	6402
Television	12	20	7	45	70	150	375	1500	10924
Radio	15	20	40	60	132	196	490	865	1850
Direct Response (direct mail, literature, lists, postage, stuffers, telemarketing)	10	10	10	20	43	124	250	850	3000
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	20	20	25	30	65	100	330	408	665
Production Expenses (artwork, talent, etc.)	5	10	20	25	50	250	500	976	4000
Fees & Commissions (advertising agency, media representative, consultants, etc.)	20	23	23	37	61	187	400	820	1000
All Other Advertising	13	20	26	48	53	80	230	700	970
Sub-Total for Advertising	**4.0**	**8.3**	**17.5**	**29.5**	**63.0**	**150.8**	**350.0**	**825.8**	**3912.0**
PUBLIC RELATIONS									
Stockholder/Investment Community (annual report, meetings, etc.)	4	10	11	14	40	132	343	500	2000
Media Relations (press releases, press conferences, etc.)	2	7	5	5	10	20	50	50	900
Publications (community service publications, newsletters, etc.)	3	10	10	12	25	54	120	170	1141
Special Events (seminars, anniversaries, open house, etc.)	5	18	11	25	50	68	127	243	900
Public Relations Consultants Fees	10	10	40	24	33	150	240	300	500
Donations (includes donation advertising—schools, churches, civic clubs)	10	20	30	50	90	156	200	500	500
All Other Public Relations	5	11	30	40	60	80	160	320	3122
Sub-Total for Public Relations	**2.0**	**3.9**	**6.1**	**10.5**	**23.6**	**54.0**	**80.0**	**152.4**	**550.0**
SALES PROMOTION									
Net Premium Expense (cost of premiums less revenues from premium sales)	5	10	20	17	45	60	200	145	535
Newcomer Services (non-salary only)	20	10	5	6	10	13	25	50	200
Specialties (giveaways, such as calendars, pens, etc.)	10	20	25	35	64	105	150	172	200
Point-of-Sale Materials (displays, banners, brochures, etc.)	3	5	10	12	20	63	200	400	1900
Employee Incentives (non-salary expenses directly related to employee sales/customer relations efforts)	10	10	11	20	20	50	81	180	1257
All Other Sales Promotion Expenses	10	30	25	19	29	50	104	223	1699
Sub-Total for Sales Promotion	**1.9**	**2.5**	**4.0**	**5.7**	**12.2**	**29.2**	**45.0**	**104.0**	**220.0**
STAFF SALES/CUSTOMER RELATIONS TRAINING									
External Expenses (consultant fees, materials, facilities, etc.)	10	14	10	10	25	35	105	250	500
Non-Salary Internal Expenses (development, printing, classroom, etc.)	1	10	10	10	10	10	129	56	300
All Other Sales Staff/Customer Relations Training	5	5	12	10	16	37	90	50	
Sub-Total for Staff Sales/Customer Relations Training	**1.5**	**1.2**	**1.5**	**2.0**	**3.3**	**5.8**	**12.9**	**22.0**	**150.0**
MARKETING RESEARCH									
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)		14	10	20	31	50	130	300	2180
Non-Salary Internal Expenses		5	4	10	10	20	50	50	200
All Other Marketing Research		3	3	13	9	40	50	50	400
Sub-Total for Marketing Research		**.8**	**1.0**	**1.3**	**3.5**	**5.0**	**15.0**	**55.0**	**227.8**
All Other Marketing Expenses		42	40	44	90	203	250	419	
Total Marketing Expenditures	**7.8**	**15.0**	**31.0**	**52.0**	**108.0**	**264.0**	**545.0**	**1242.5**	**4524.0**

PRIME MEDIA BY PERCENTAGE OF TOTAL MARKETING BUDGET

(Taken from Table 3)

Figure C



Percentage Allocations

The information in Table 3 may be especially helpful in preparing your budget. It shows how responding banks allocated their marketing budget among the 30 different marketing categories, and how the size of the bank influences allocation decisions.

Advertising

The largest share of the marketing budget is allocated to advertising expenditures. In the banks with under $100 million in assets, 53% to 58% of the total marketing budget is spent on advertising. As the size of the bank increases, so does the proportion of the budget for advertising. It increases from 58% in the banks with $100 million to $250 million in assets to 74% of the total budget for banks of $5 billion or more in assets.

Figure C reveals that the advertising medium receiving the largest portion of the total marketing budget is newspapers, ranging from 15% to 22%, generally increasing with the size of the bank. Newspaper advertising has consistently accounted for the largest share of the budget in past years of the *Analysis*. In most banks, radio accounts for the next largest share of the budget. As a general trend, the portion of the budget allocated to radio decreases as the size of the bank increases. For example, in the smallest banks, radio accounts for 13% of the total marketing budget. However, the proportion declines to about 10% among middle tier banks and falls to only 4% of the budget in largest banks.

While radio usage declines with bank size, television usage increases. Lowest use, 1% of the total budget, occurs among banks with assets of $25 million to $50 million. Among middle tier banks, 4% to 5% of the budget is allocated to television, and among the largest banks 5% to 22% of the budget is for television. In the largest banks, those with assets above $5 billion, television usage increases to 22%.

Direct response accounts for 5% of the marketing budget in most asset ranges. Direct response receives 11% of the average marketing budget, however, at banks with assets between $1 billion and $5 billion (see the special section on direct mail starting on Page 26).

Advertising production expense becomes a larger part of the budget with bank size. In the smallest banks, production expenses such as artwork and talent account for 2% to 5% of the total marketing budget. In middle tier banks, the proportion increases to 6% to 8% and rises to a high of 13% of the banks with more than $5 billion in assets.

Fees for advertising agencies and consultants average 2% to 4% at the smallest banks, increase to 3% to 6% at middle tier banks, and average 3% to 5% at banks over $1 billion in assets.

Public Relations

As in prior years of the *Analysis*, the allocation for public relations activities is negatively correlated to the size of the bank, decreasing from a high of 32% in the banks with under $10 million in assets, to 22% to

24% of the budgets of middle tier banks, and declining to only 14% to 17% of the budgets in banks with more than $1 billion in assets.

Donations continue to account for the largest percentage of expenditures within public relations, rising to as much as 14% of the total marketing budget in the smallest banks, but declining to 5% to 7% of the budget in the largest banks. Included in this category are the customary donations to churches, civic clubs and similar organizations, and donation advertising, such as ads in club, church or school booklets.

Special events receive a significant share of the marketing budget, as much as 11% in the smallest banks. However, their share declines with the size of the bank. Middle tier banks allocate about 4% of their budget to special events, but less than 1% of the largest banks' budgets were spent for this purpose.

Stockholder and investment community relations average 2% to 5% of the budget, and publications such as newsletters account for 1% to 2%.

Media relations accounts for less than 1% of the total marketing budget in most banks.

Sales Promotion

These activities include premiums, giveaways, newcomer services, point-of-sale materials and employee incentives. On average, they account for 13% to 14% of the smallest banks budgets, but decline to 4% to 8% of the budgets in banks with assets of $1 billion or more. Largest expenditures are allocated to specialties, declining from 9% of the small banks to 2% of less of the budget in the largest banks.

Point-of-sale expenditures account for about 1% to 2% in the smallest banks, and increase to 2% to 4% at the largest banks. Premiums generally receive 1% or less of the total marketing budget.

Staff Sales/Customer Relations Training

In general, 2% to 5% of the budget is spent on sales/customer relations training materials. The proportion of the budget allocated to this type of training in 1988 and prior years has declined with asset size. Because many of these expenses represent fixed costs, such as for videotapes, and training manuals, the amount does not increase proportionately with the size of the bank.

Marketing Research

Aside from advertising expenditures, marketing research expenditures are the only other category to increase as the size of the bank increases. Only 2% of the budget is allocated to marketing research in banks with under $500 million in assets. But, the proportion increases to 4% to 6% in the larger banks. Expenditures for consultants, field work and processing account for virtually all of the costs in this category.

TABLE 3
PERCENTAGE OF REPORTING BANK BUDGETS SPENT ON EACH EXPENDITURE TYPE IN 1988 BY ASSET SIZE

(All Reporting Banks - 1988, Percentages)

Expenditure Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
ADVERTISING									
Magazines (consumer, trade, etc.)	1%	2%	2%	1%	1%	1%	2%	3%	1%
Directories (telephone, bank, city, etc.)	4	2	4	3	3	2	2	2	1
Newspapers	15	21	20	16	16	20	19	19	22
Television	4	3	1	4	4	5	5	10	22
Radio	13	11	10	10	10	7	9	7	4
Direct Response (direct mail, literature, lists, postage, stuffers, telemarketing)	4	5	5	5	5	5	5	11	5
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	3	3	2	4	4	4	3	3	1
Production Expenses (artwork, talent, etc.)	5	2	4	3	6	8	8	7	13
Fees & Commissions (advertising agency media representative, consultants, etc.)	2	2	4	4	3	6	5	5	3
All Other Advertising	3	3	4	5	3	1	3	4	2
Sub-Total for Advertising	**53**	**57**	**58**	**57**	**58**	**60**	**63**	**69**	**74**
PUBLIC RELATIONS									
Stockholder/Investment Community (annual report, meetings, etc.)	2	2	3	3	3	5	3	3	3
Media Relations (press releases, press conferences, etc.)	*	1	*	*	*	*	1	1	1
Publications (community service publications, newsletters, etc.)	2	2	2	1	2	2	2	1	1
Special Events (seminars, anniversaries, open house, etc.)	11	6	4	4	4	4	3	3	*
Public Relations Consultants Fees	2	1	1	*	1	1	1	1	*
Donations (includes donation advertising—schools, churches, civic clubs)	14	8	10	10	9	8	5	7	5
All Other Public Relations	1	1	2	3	3	2	2	1	2
Sub-Total for Public Relations	**32**	**21**	**21**	**23**	**24**	**22**	**17**	**17**	**14**
SALES PROMOTION									
Net Premium Expense (cost of premiums less revenues from premium sales)	1	1	2	1	1	1	1	*	*
Newcomer Services (non-salary only)	1	*	*	*	*	*	*	*	*
Specialties (giveaways, such as calendars, pens, etc.)	9	6	8	7	5	4	2	2	*
Point-of-Sale Materials (displays, banners, brochures, etc.)	*	1	2	1	2	3	4	4	2
Employee Incentives (non-salary expenses directly related to employee sales/customer relations efforts)	2	2	2	2	2	2	2	1	1
All Other Sales Promotion Expenses	1	1	1	*	1	1	1	1	*
Sub-Total for Sales Promotion	**13**	**13**	**14**	**12**	**12**	**12**	**11**	**8**	**4**
STAFF SALES/CUSTOMER RELATIONS TRAINING									
External Expenses (consultant fees, materials, facilities, etc.)	1	2	1	1	2	1	2	1	2
Non-Salary Internal Expenses (development, printing, classroom, etc.)	*	1	1	1	*	*	1	*	*
All Other Sales Staff/Customer Relations Training	1	2	1	1	*	*	*	*	
Sub-Total for Staff Sales/Customer Relations Training	**2**	**5**	**4**	**3**	**3**	**2**	**3**	**2**	**3**
MARKETING RESEARCH									
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)		2	1	*	2	1	2	3	4
Non-Salary Internal Expenses		*	*	*	*	*	1	*	*
All Other Marketing Research		*	*	*	*	*	*	*	*
Sub-Total for Marketing Research		**2**	**2**	**2**	**2**	**2**	**4**	**4**	**6**
All Other Marketing Expenses		2	1	3	1	2	2	*	
Total Marketing Expenditures	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

* = Less than 0.5%

Table 4 shows the percentage of banks which reported on expenditures in each category while Table 3 showed the percentage amount of the marketing budget spent for each category. Thus, by referring to the appropriate column for your bank's asset size, you can learn where banks of similar size and in similar markets spend their budget.

Advertising

As in past years of the *Analysis*, advertising is the most widely used of the five major marketing functions, and it is used by nearly all banks. Among those banks with assets from $10 million to $25 million, 3% of banks did not report an expenditure on advertising. Ninety nine per cent or more of banks in the remaining ranges used advertising.

Newspapers are the most widely used advertising medium. Lowest usage is among banks under $10 million where 15% did not report an expenditure for newspapers. But, usage in general increases with the size of the bank, up to a high of 98% of those banks between $250 million and $500 million in assets.

Directory advertising also was used by most banks, ranging from 58% among banks between $10 million and $25 million up to a high of 96% for those banks between $1 billion and $5 billion. Both radio and direct response advertising are widely used. Radio increases from 58% of smaller banks to a high of 91% of the largest banks. While less than one-half of smaller banks used radio in 1983, about two-thirds used it in 1988.

Direct response advertising is used by 38% of smallest banks, with usage growing to 92% among banks between $1 billion and $5 billion. Direct mail advertising is examined in detail on page 26 of this report.

Magazines are used less often among smaller banks, ranging from 12% to 28%, and more among larger banks, ranging from 67% of the banks between $500 million and $1 billion in assets to 84% among those banks between $1 billion and $5 billion in assets.

The percentage of smaller banks reporting expenditures for television has increased over the past five years. In the *Analysis* of 1983 expenditures, only 6% to 9% of banks under $25 million reported an expenditure for television advertising, while 12% to 18% did in 1988.

Approximately 30% of middle tier banks used television in 1988, while highest use was among banks over $5 billion in assets, 82%.

Outdoor advertising was used by 8% of the smallest banks, about 50% of the middle tier banks and 51% to 65% of the largest banks.

Public Relations

Most banks also reported expenditures for at least one category of public relations in 1988. While only two-thirds of the banks under $10 million reported expenditures in 1983, all of them did in 1988.

The most often used category was donations, with more than 75% of banks reporting an expenditure in most asset ranges. However, the use of donations appears to decline somewhat among larger banks. The decline could be due in part to budgeting methods used in larger banks which might segregate all or portions of 'donations' from the marketing budget to other budget areas of the bank.

Special events are widely used. While about one-half to two-thirds of middle tier banks use special events, their use increases to more than three-fourths of those banks between $250 million and $5 billion in assets.

Stockholder/investment community expenditures also are common among all banks and increase with asset size from 31% of the smallest banks to a high of 69% among middle tier banks.

Publications, such as newsletters, also increase with the size of the bank. They are used by about one-fourth of the smaller banks but usage increases to approximately 50% of the middle tier banks and 69% among banks between $1 billion and $5 billion in assets.

As might be expected, there is a wide divergence in expenditures for media relations between smaller banks (generally 10% or less) and the largest banks (generally 50% or more).

Public relations consultants are used by fewer than 10% of banks up to $250 million. Their use, however, increases to 36% of those banks over $5 billion in assets.

Sales Promotion

Approximately the same proportion of banks used sales promotion activities in 1988 as did in 1983. The most widely used expenditure category was for specialties such as calendars, pens and other giveaways. More than 60% of the smallest banks used them, and more than 80% of the banks between $250 million and $5 billion use them.

The expenditure reported second most often was for

point-of-sale materials — 12% of the smallest banks and 84% of those banks between $1 billion and $5 billion in assets. Expenditures for employee incentives were reported by less than 20% of the banks under $25 million, by 29% to 36% of those between $25 million and $100 million, and by approximately 50% of those over $100 million in assets. Expenditures for premiums were reported most often in middle tier banks — 22% to 35% — and least often in the smallest banks — 8% to 12%.

Newcomer services are used by less than one-fourth of banks overall. Usage rises from only 4% of the smallest banks to 30% of those between $250 million and $500 million.

Staff Sales/Customer Relations Training

Within this function, the category used by most banks is 'external expenses,' such as for consultants, materials and facilities. While 8% of the smallest banks reported external expenditures, about one-third of the middle tier banks incurred external expenses. Highest use was among the banks between $1 billion and $5 billion (47%).

Closely parallel with external expenses were internal non-salary expenses, such as for program development, printing, equipment, etc. They were reported by about 4% of the smallest banks, by 21% to 34% of the middle tier banks, and by 45% of the banks between $1 billion and $5 billion.

Marketing Research

While none of the banks under $10 million reported an expenditure for marketing research, 14% of those between $10 million and $25 million did. In the middle range, between $100 million and $250 million, 38% reported an expenditure. At banks between $500 million and $1 billion in assets, 82% spent money on research, and usage was highest at banks above $1 billion — ranging from 90% to 100% of reporting banks.

TABLE 4
PERCENTAGE OF BANKS REPORTING MARKETING EXPENDITURES OF EACH TYPE IN 1988 BY ASSET SIZE

(All Reporting Banks - 1988, Precentages)

Expenditure Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
ADVERTISING									
Magazines (consumer, trade, etc.)	12%	25%	32%	28%	41%	62%	67%	84%	82%
Directories (telephone, bank, city, etc.)	77	58	76	77	82	90	78	96	91
Newspapers	85	88	90	94	94	98	91	90	91
Television	12	18	14	28	32	60	47	69	82
Radio	58	67	68	82	79	81	82	90	91
Direct Response (direct mail, literature, lists, postage, stuffers, telemarketing)	38	50	60	66	72	90	85	92	91
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	8	17	25	49	57	67	51	65	64
Production Expenses (artwork, talent, etc.)	8	21	39	49	74	80	84	88	100
Fees & Commissions (advertising agency, media representative, consultants, etc.)	12	14	27	41	47	70	75	71	73
All Other Advertising	27	18	30	35	35	30	31	43	45
Sub-Total for Advertising	**100**	**97**	**99**	**100**	**100**	**99**	**100**	**100**	**100**
PUBLIC RELATIONS									
Stockholder/Investment Community (annual report, meetings, etc.)	31	31	46	53	54	69	51	59	55
Media Relations (press releases, press conferences, etc.)	4	8	10	14	21	34	53	61	45
Publications (community service publications, newsletters, etc.)	23	26	37	43	51	55	56	69	45
Special Events (seminars, anniversaries, open house, etc.)	46	54	61	67	70	81	76	82	27
Public Relations Consultants Fees	8	7	4	6	8	10	20	27	36
Donations (includes donation advertising—schools, churches, civic clubs)	92	77	93	90	89	90	84	84	36
All Other Public Relations	12	15	24	31	38	32	35	31	27
Sub-Total for Public Relations	**100**	**93**	**99**	**97**	**99**	**97**	**100**	**94**	**82**
SALES PROMOTION									
Net Premium Expense (cost of premiums less revenues from premium sales)	8	9	12	15	22	35	22	27	18
Newcomer Services (non-salary only)	4	8	14	20	26	30	22	20	27
Specialties (giveaways, such as calendars, pens, etc.)	62	65	74	78	79	81	82	84	55
Point-of-Sale Materials (displays, banners, brochures, etc.)	12	21	43	43	57	80	71	84	55
Employee Incentives (non-salary expenses directly related to employee sales/customer relations efforts)	12	17	29	36	45	58	51	51	45
All Other Sales Promotion Expenses	8	7	9	10	16	25	16	27	9
Sub-Total for Sales Promotion	**62**	**76**	**84**	**92**	**92**	**96**	**93**	**98**	**82**
STAFF SALES/CUSTOMER RELATIONS TRAINING									
External Expenses (consultant fees, materials, facilities, etc.)	8	15	21	27	33	34	38	47	36
Non-Salary Internal Expenses (development, printing, classroom, etc.)	4	15	24	21	22	34	27	45	36
All Other Sales Staff/Customer Relations Training	8	15	20	22	15	22	9	14	
Sub-Total for Staff Sales/Customer Relations Training	**15**	**39**	**51**	**54**	**50**	**53**	**56**	**67**	**45**
MARKETING RESEARCH									
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)		6	14	10	29	55	64	73	82
Non-Salary Internal Expenses		5	4	7	9	14	31	33	27
All Other Marketing Research		4	6	8	7	15	16	16	18
Sub-Total for Marketing Research		**14**	**22**	**25**	**38**	**70**	**82**	**90**	**100**
All Other Marketing Expenses		5	4	11	10	16	20	12	
Total Marketing Expenditures	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

BUDGET BY MARKET SIZE AND TYPE

One of the factors which influences expenditures is the size of the bank's market. Tables 5, 6, and 7 show how the budget varies with both the size and type of market.

Expenditures for the 36 categories of the marketing budget are shown for four different population sizes:

- Under 100,000
- 100,000 to 500,000
- 500,000 to 1 million
- 1 million or more

Spending naturally increases with the size of the market. In the smallest, the total marketing budgets average $74,800, a significant increase from the $56,100 reported five years ago, and an increase over the $63,100 spent in 1987.

Spending also increased in the 100,000 to 500,000 market, from the $202,500 reported in 1983 to $253,100 in 1988. In 1987, the average expenditure was $236,500.

However, spending in the next largest market (500,000 to 1 million population), declined from both 1983's level of $593,800 and 1987's level of $599,600.

In the largest markets of over 1 million population, the average marketing budget was slightly higher than reported in 1983 ($1,422,500), but lower than in 1987 ($1,825,600).

The expenditures for each of the five functional areas within the budget reflect the variances shown for the overall budget. For example, advertising expenditures in the smallest market were $43,200 in 1988, up from both 1983 ($35,300) and 1987 ($37,000).

Expenditures for Public Relations in 1988 ranged from $18,000 in the smallest markets, to a high of $229,800 in the largest markets. Again, spending was higher in the two smallest markets than one year ago and five years ago, but lower in the two largest markets.

Spending for Sales Promotion activities, $10,600 in the markets of under 100,000 population, rose to $109,300 in the largest markets. In the 500,000 to 1 million market, the $64,200 expenditure exceeded both 1983's expenditure of $55,700 and 1987's $57,600.

Staff Sales/Customer Relations Training expenditures were $4,600 for 1988 in the smallest markets, but increased to $66,200 in the largest.

Marketing Research expenditures were $6,300 in the smallest markets, and increased to $95,100 in the largest.

The distribution of the responding banks was similar to that in 1987: 65% were in markets under 100,000, 21.2% in markets of 100,000 to 500,000; 5.2% in markets of 500,000 to 1 million, and 8.2% in markets of 1 million or more.

The total marketing expenditures for responding banks are shown in even greater detail in Tables 6 and 7. Table 6 shows the average, median, minimum and maximum marketing expenditure for respondents within each of the nine asset ranges. For example, consider a bank with $600 million in assets. In the smallest markets the average expenditure for such a bank was $483,400. In markets of 100,000 to 500,000 the average expenditure increased to $534,600; in markets of 500,000 to 1 million it was $577,800, and in the markets of 1 million or more it increased to $784,900.

Table 6 also reveals the median expenditure for each of the market types within all of the asset ranges.

Table 7, using a similar format, shows the total marketing expenditures for each of the four population ranges, and for five different market types:

- More than one state
- Statewide
- Urban
- Suburban
- Rural

As an example, the average marketing expenditure for a bank in a suburban market of 100,000 to 500,000 is $221,100, while the median expenditure is $141,900.

The data in these tables can be useful not only in preparing your own budget, but also in estimating how much competitors in your market may be spending. This information is most useful when other factors in your market are considered, such as the media available, its cost, the demographics of the market, and the strategic direction of your bank and its competitors.

There is wide diversity in banks' expenditures, and these data should not be considered as hard and fast absolutes. For example, as shown in Table 7, the total expenditures for banks in urban markets of 500,000 to 1 million range from a low of only $42,000 to a high of $1,511,000, and the median budget is $243,000.

Even smaller banks in large markets have been able to compete very effectively by seeking out opportunities in a special niche, such as serving affluent individuals, smaller businesses, professional firms or others, rather than confronting larger institutions head-on with a smaller budget.

For further guidance on budgeting, refer to "Budgeting for Bank Marketing" on Page 3.

TABLE 5
AVERAGE MARKETING EXPENDITURES BY EXPENDITURE TYPE AND POPULATION SIZE
(All Reporting Banks - 1988, $000)

Expenditure Type	Population Size: Under 100,000	100,000-500,000	500,000-1 Million	1 Million or More
ADVERTISING				
Magazines (consumer, trade, etc.)	$ 2.1	$ 8.7	$ 27.4	$ 49.8
Directories (telephone, bank, city, etc.)	2.6	7.5	8.6	28.7
Newspapers	13.6	46.1	86.6	410.5
Television	9.5	34.4	83.6	576.3
Radio	10.8	23.4	42.0	144.9
Direct Response (direct mail, literature, lists, postage, stuffers, telemarketing)	5.0	20.2	32.0	148.0
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	6.4	18.0	28.4	52.3
Production Expenses (artwork, talent, etc.)	7.9	27.4	57.0	184.9
Fees & Commissions (advertising agency, media representative, consultants, etc.)	8.4	20.6	43.5	85.7
All Other Advertising	7.4	20.5	76.6	106.2
Sub-Total for Advertising	**43.2**	**158.8**	**292.2**	**1120.3**
PUBLIC RELATIONS				
Stockholder/Investment Community (annual report, meetings, etc.)	5.1	13.7	38.2	79.8
Media Relations (press releases, press conferences, etc.)	1.9	3.3	6.1	20.9
Publications (community service publications, newsletters, etc.)	2.9	9.2	14.7	30.2
Special Events (seminars, anniversaries, open house, etc.)	4.7	12.6	22.5	34.2
Public Relations Consultants Fees	5.6	16.6	32.4	34.8
Donations (includes donation advertising—schools, churches, civic clubs)	6.2	19.5	37.2	122.5
All Other Public Relations	6.6	36.2	22.7	54.7
Sub-Total for Public Relations	**18.0**	**56.0**	**93.7**	**229.8**
SALES PROMOTION				
Net Premium Expense (cost of premiums less revenues from premium sales)	4.3	8.4	22.2	27.3
Newcomer Services (non-salary only)	1.5	4.1	7.2	18.9
Specialties (giveaways, such as calendars, pens, etc.)	6.3	10.5	17.2	20.2
Point-of-Sale Materials (displays, banners, brochures, etc.)	3.2	9.3	23.7	68.6
Employee Incentives (non-salary expenses directly related to employee sales/customer relations efforts)	4.3	10.9	34.7	36.8
All Other Sales Promotion Expenses	4.1	9.9	10.4	60.3
Sub-Total for Sales Promotion	**10.6**	**27.2**	**64.2**	**109.3**
STAFF SALES/CUSTOMER RELATIONS TRAINING				
External Expenses (consultant fees, materials, facilities, etc.)	3.9	7.6	14.4	65.6
Non-Salary Internal Expenses (development, printing, classroom, etc.)	1.7	6.2	10.3	16.0
All Other Sales Staff/Customer Relations Training	3.1	3.2	4.4	8.6
Sub-Total for Staff Sales/Customer Relations Training	**4.6**	**9.3**	**15.6**	**66.2**
MARKETING RESEARCH				
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	8.2	10.5	24.3	79.4
Non-Salary Internal Expenses	1.0	6.0	9.1	16.9
All Other Marketing Research	1.9	5.5	19.2	29.4
Sub-Total for Marketing Research	**6.3**	**13.1**	**24.0**	**95.1**
All Other Marketing Expenses	15.2	27.3	39.1	48.4
Total Marketing Expenditures	**74.8**	**253.1**	**472.9**	**1529.3**

TABLE 6
AVERAGE AND MEDIAN MARKETING EXPENDITURES BY POPULATION SIZE AND ASSET SIZE
(All Reporting Banks - 1988, $000)

Population Size	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Under 100,000									
Number of Reporting Banks	25	99	120	167	167	36	6	d	
Average Expenditure	**$ 10.8**	**$ 22.1**	**$ 33.4**	**$ 56.4**	**$109.7**	**$230.5**	**$483.4**		
Minimum Expenditure	1.0	1.7	2.6	6.5	17.5	67.7	244.9		
Maximum Expenditure	54.6	138.0	178.1	224.0	367.0	393.0	890.1		
Median Expenditure	**7.8**	**14.7**	**27.8**	**51.8**	**93.7**	**239.4**	**438.5**		
100,000 - 500,000									
Number of Reporting Banks		4	13	34	75	44	23	8	d
Average Expenditure		**42.5**	**57.1**	**71.6**	**151.0**	**316.7**	**534.6**	**948.3**	
Minimum Expenditure		15.6	9.8	3.0	10.0	110.5	132.9	445.0	
Maximum Expenditure		83.8	148.6	183.1	515.1	658.7	1012.1	1602.0	
Median Expenditure		**19.4**	**44.3**	**60.0**	**140.7**	**272.3**	**548.0**	**846.0**	
500,000 - 1 Million									
Number of Reporting Banks		d	3	4	11	8	13	10	
Average Expenditure			**53.1**	**83.1**	**137.8**	**351.9**	**577.8**	**1130.1**	
Minimum Expenditure			20.0	19.1	39.5	69.2	385.0	548.1	
Maximum Expenditure			82.0	196.3	243.0	824.9	875.0	1788.7	
Median Expenditure			**57.2**	**42.0**	**141.0**	**328.9**	**614.2**	**1091.5**	
1 Million or More									
Number of Reporting Banks		d	2	5	11	7	12	29	10
Average Expenditure			**122.9**	**35.1**	**146.8**	**254.5**	**784.9**	**1722.6**	**5604.1**
Minimum Expenditure			46.4	8.9	52.0	70.2	276.9	132.0	146.7
Maximum Expenditure			199.5	73.1	332.0	469.0	1601.8	4337.0	14860.0
Median Expenditure			**46.4**	**35.3**	**146.4**	**211.8**	**610.0**	**1512.1**	**4524.0**

d — Disclosure: Reporting this data could make it possible to identify an individual responding bank

TABLE 7
AVERAGE AND MEDIAN MARKETING EXPENDITURES BY POPULATION SIZE AND MARKET TYPE
(All Reporting Banks - 1988, $000)

Population Size	Market Type				
	More than One State	Statewide	Urban	Suburban	Rural
Under 100,000					
Number of Reporting Banks	12	6	84	126	388
Average Expenditure	**$ 91.4**	**$132.4**	**$120.9**	**$102.3**	**$ 54.7**
Minimum Expenditure	9.8	60.0	6.5	1.9	1.0
Maximum Expenditure	311.3	184.0	545.0	890.1	1043.0
Median Expenditure	**61.8**	**154.4**	**80.9**	**73.5**	**37.0**
100,000 - 500,000					
Number of Reporting Banks	4	9	75	95	18
Average Expenditure	**354.0**	**522.8**	**273.5**	**221.1**	**184.5**
Minimum Expenditure	210.7	45.0	3.0	7.3	33.9
Maximum Expenditure	548.0	1419.0	2627.0	1602.0	669.4
Median Expenditure	**240.0**	**161.3**	**183.4**	**141.9**	**138.9**
500,000 - 1 Million					
Number of Reporting Banks	2	6	19	19	3
Average Expenditure	**328.5**	**1169.0**	**468.9**	**286.2**	**538.8**
Minimum Expenditure	244.9	614.2	42.0	19.1	385.0
Maximum Expenditure	412.0	1788.7	1511.0	875.0	700.4
Median Expenditure	**244.9**	**646.0**	**243.0**	**150.2**	**531.0**
1 Million or More					
Number of Reporting Banks	10	19	37	10	d
Average Expenditure	**3447.9**	**2014.7**	**891.2**	**1126.5**	
Minimum Expenditure	59.0	52.0	3.0	193.4	
Maximum Expenditure	14860.0	6200.9	5858.0	3047.9	
Median Expenditure	**1265.7**	**1733.8**	**381.5**	**1055.1**	

d — Disclosure: Reporting this data could make it possible to identify an individual responding bank.

The *Analysis* asks respondents to report on how their marketing expenditures are allocated among the following types of services:

- Retail (to individuals)
- Commercial/Corporate (to businesses)
- Trust
- Institutional

The results are shown in Tables 8 through 12.

Consistent with previous years' reporting in the *Analysis*, one-half to two-thirds of banks' marketing spending was for retail services. On average, in banks with assets either under or over $100 million, 60% of the marketing budget was spent on retail services. This proportion has remained steady for larger banks when compared to five years ago, but for smaller banks it represents a slight decline (from 63%).

Expenditures for commercial/corporate services accounted for 21% of community bank budgets and only 15% of budgets of larger banks, unchanged from five years ago. The share for commercial/corporate services is highest in banks with $50 million to $100 million in assets at 25.5%. It declines to 9% for banks over $5 billion.

A greater share of the marketing budget is allocated to trust marketing as the size of the bank increases — from 2% on average for banks under $100 million to 7% for those over $100 million. In general, the larger banks spend at nearly triple the rate of the smaller banks for trust services with the highest spending by banks over $5 billion in assets (13.3%).

The spending emphasis for institutional services is strongest among banks $100 to $250 million and $250 to $500 million at over 18%. Overall, larger banks allocated a greater share of their budget to institutional services (16%) than did smaller banks (12%).

For all banks, the proportion of the budget spent on both trust and institutional services is about the same as in 1983.

Percentage Allocations

Table 9 shows the percentage of responding banks indicating marketing expenditures for each type of service. Retail is the most common marketing activity with expenditures reported by 90% to 100% of all banks across all asset sizes.

The incidence of banks reporting expenditures for commercial/corporate services also is high, ranging from 60% to 90% among banks under $100 million and 81% to 91% among banks over $100 million in assets. Institutional services marketing also increases with asset size, increasing from a low of 30% among the smallest banks to up to 76% among larger banks.

Trust services expenditures are also reported less often for community banks, 7% to 49%, and more often for larger banks, 55% to 70%.

Expenditures for all other types of marketing services occur at from 9% to 27% of all banks.

TABLE 8
PERCENTAGE OF REPORTING BANKS' BUDGETS SPENT ON EACH SERVICE IN 1988 BY ASSET SIZE
(All Reporting Banks - 1988, Percentages)

Service Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Retail Services (individuals)	62.8%	65.8%	57.7%	56.8%	54.8%	58.9%	61.0%	65.3%	61.3%
Commercial/Corporate (business)	10.8	23.3	24.7	25.5	20.6	14.1	19.0	14.5	9.0
Trust	5.5	5	1.3	2.2	4.3	6.0	5.3	6.2	13.3
Institutional	12.0	7.9	13.7	13.7	18.3	18.6	12.7	13.1	15.2
Other	9.0	2.5	2.6	1.8	2.0	2.5	2.2	9	1.3

SHARE OF EXPENDITURES BY ASSET GROUP

(data compiled from Table 8)

Figure D

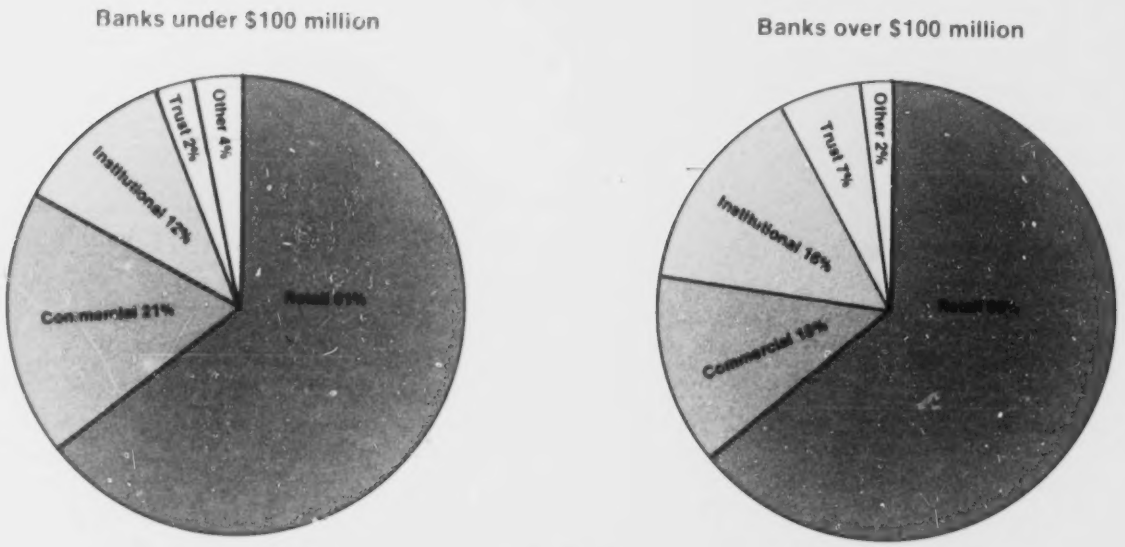


TABLE 9
PERCENTAGE OF REPORTING BANKS MARKETING EACH SERVICE IN 1988 BY ASSET SIZE

(All Reporting Banks - 1988, Percentages)

Service Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Retail Services (individuals)	90%	96%	96%	97%	96%	98%	100%	95%	91%
Commercial/Corporate (business)	60	84	87	90	90	86	81	86	91
Trust	10	7	14	28	49	55	56	70	64
Institutional	30	33	47	55	71	76	65	75	73
Other	25	9	14	12	12	16	17	23	27

Amount of Expenditures

In measuring the actual amount of money spent on each general type of service, Table 10 shows that the average expenditure on retail services for the smallest banks was $8,400 and ranged upward to $70,200 for banks between $100 million and $250 million and to $4,235,700 among the very largest banks.

Institutional expenditures were second highest, with banks under $100 million spending $4,600 to $17,100; middle tier banks spending $32,700 to $115,500, and the largest banks spending $218,900 to $970,600.

The third highest category, commercial/corporate marketing, ranges from $2,200 to $15,700 at banks under $100 million; from $29,200 to $137,200 at middle tier banks, and from $221,500 to $498,400 at the largest banks.

Median expenditures are shown in Table 11 for retail, commercial/corporate, trust and institutional services. As noted in earlier tables, the median amounts are generally less than the averages shown in Table 10.

Table 12 shows how the average marketing expenditure for various types of services varies with the population size of the responding banks' markets. As would be expected, larger markets tend to contain larger banks, hence the direct correlation between population and expenditures. Banks in markets with populations under 100,000 spent an average of $45,900 on retail services. The amount increases with the size of the market to $149,200 in markets of 100,000 to 500,000 and $358,600 in markets of 500,000 to 1 million and to $1,223,600 in the markets of 1 million or more.

Institutional expenditures increase from $24,700 to $295,600. Commercial/corporate marketing ranges from $16,200 in the smallest markets to $250,400 in the largest, and trust marketing increases from $9,400 in markets under 100,000 to $139,800 in the markets of 1 million or more.

TABLE 10
AVERAGE MARKETING EXPENDITURE BY SERVICE TYPE AND ASSET SIZE
(All Reporting Banks - 1988, $000)

Service Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Retail Services (individuals)	$ 8.4	$15.7	$23.9	$32.4	$70.2	$169.4	$364.4	$1015.4	$4235.7
Commercial/Corporate (business)	2.2	7.4	11.5	15.7	29.2	47.7	137.2	221.5	498.4
Trust	28.7	1.6	3.2	5.2	10.5	23.6	50.0	87.5	405.3
Institutional	4.6	5.9	11.6	17.1	32.7	79.5	115.5	218.9	970.6
Other	3.9	4.9	4.8	8.6	28.7	49.4	67.7	57.6	241.3

TABLE 11
MEDIAN MARKETING EXPENDITURE BY SERVICE TYPE AND ASSET SIZE
(All Reporting Banks - 1988, $000)

Service Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Retail Services (individuals)	$ 4.5	$10.6	$18.5	$27.5	$60.0	$149.0	$338.8	$775.0	$2564.4
Commercial/Corporate (business)	.9	4.4	7.4	10.6	20.5	29.2	70.0	135.5	337.6
Trust	.53	.8	1.7	3.8	8.1	18.8	44.2	64.6	262.7
Institutional	2.0	3.4	6.4	11.0	20.5	38.2	62.3	122.8	769.3
Other	2.0	2.3	3.5	6.1	10.5	24.3	27.7	34.3	248.0

TABLE 12
AVERAGE MARKETING EXPENDITURE BY SERVICE TYPE AND POPULATION SIZE
(All Reporting Banks - 1988, $000)

Service Type	Population Size			
	Under 100,000	100,000-500,000	500,000-1 Million	1 Million or More
Retail Services (individuals)	$45.9	$149.2	$358.6	$1223.6
Commercial/Corporate (business)	16.2	47.4	80.7	250.4
Trust	9.4	27.6	56.3	139.8
Institutional	24.7	68.8	111.4	295.6
Other	10.8	55.6	54.3	147.6

In the questionnaire for this year's *Analysis*, banks were asked to report on their use of direct mail. This subject was included in the questionnaire as a follow-up to the 1985 *Analysis* which examined expenditures for direct mail for the first time.

The questions were designed specifically to measure activities about **noncustomer** promotional mailings. Expenditures for customer statement enclosures were to be excluded from responses.

The categories of information in this section are:

- The number of promotional mailings actually sent in 1988.
- The number of promotional mailings the bank expects to send in 1989.
- The general types of services which banks promote in their mailings (i.e. credit, deposit and corporate).
- Within those three general types of services, the specific products promoted (such as home equity loans, credit cards, money market accounts, checking, etc.).

The findings from the special section are reported in Tables 13 through 15 and in Figures E and F along with comparisons to the findings from 1985.

Who's Using the Mail

The proportion of banks which used direct mail advertising in 1988 is shown in Table 13. At least 50% or more of all banks used direct mail advertising in 1988, with the exception of those in the smallest asset range (under $10 million) where only 24% used mail. Usage is highest among banks above $250 million where 91% to 96% used mail advertising.

While the percentage of banks using direct mail in 1988 was similar in most cases to the percentage using it in 1989, there are significant differences in the subject matter they promote (see Table 15).

More or Less in Future?

When asked if they would conduct mailings in 1989, more than one-half of respondents in all asset sizes except those under $10 million said they would, as shown in Table 14. The proportion of banks expecting to use mail advertising in 1989 varies from a low of 40% in the smallest banks to 100% among the largest banks.

Figure E shows the average number of mailings which banks conducted in 1988, and the average number they intend to conduct in 1989, by the nine asset ranges. The number they conducted in 1988 increases steadily with each asset range from a low of .8 mailings among banks under $10 million, to 3.5 to 4.7 among middle tier banks, and to a high of 6.7 among the largest banks. The number mailed in 1988 was greater than or equal to the average number mailed in 1985 in most asset categories.

Furthermore, banks in every asset category, on average, expect to mail more mailings in 1989 than they did 1988. For example, banks under $10 million expect to mail 1.2 mailings while those in the middle tier expect to mail 3.9 to 6 mailings and the largest banks expect to send 8.8 mailings.

Figure F shows how the number of mailings used in 1988 and planned in 1989 varies with the primary creative source of the bank's advertising. Those which use bank staff to prepare advertising mailed 2.1 in 1988 and expect to send 3.1 mailings in 1989. Those who rely on holding company staff as the source for their advertising mailed 3.1 in 1988 and plan to conduct 4.0 mailings in 1989. However, those banks which use an advertising agency as their primary source of advertising conducted 3.5 mailings in 1988 and plan to mail 4.7 in 1989.

TABLE 13
USE OF DIRECT MAIL
(All Reporting Banks - 1988, Percentages)

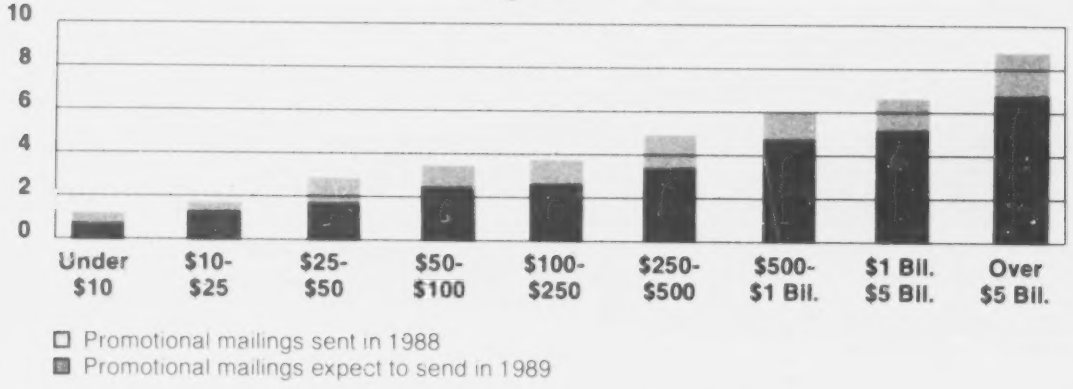
Use of Mail	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Did Not Use Mail	76%	49%	44%	28%	19%	10%	4%	6%	9%
1 - 3	20	41	39	48	57	52	35	33	18
4 - 6		8	13	19	17	27	43	31	27
7 - 9		1	2	1	3	7	5	8	
10 Or More	4	1	2	4	4	4	13	22	46
Total Using Mail - 1985	28	45	53	65	86	91	95	98	100
Total Using Mail - 1988	**24**	**51**	**56**	**72**	**81**	**91**	**96**	**94**	**91**

TABLE 14
EXPECTED USE OF DIRECT MAIL IN 1989
(All Reporting Banks - 1988, Percentages)

Use of Mail	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Will Not Use Mail	60%	42%	31%	21%	12%	4%	2%	6%	
1 - 3	36	41	41	40	43	36	15	16	18
4 - 6		11	20	23	28	31	50	33	9
7 - 9		4	4	9	9	15	15	12	
10 Or More	4	2	4	7	8	15	19	33	73
Total Will Use Mail - 1989	**40**	**58**	**69**	**79**	**88**	**96**	**98**	**94**	**100**
Total Using Mail - 1988	24	51	56	72	81	91	96	94	91

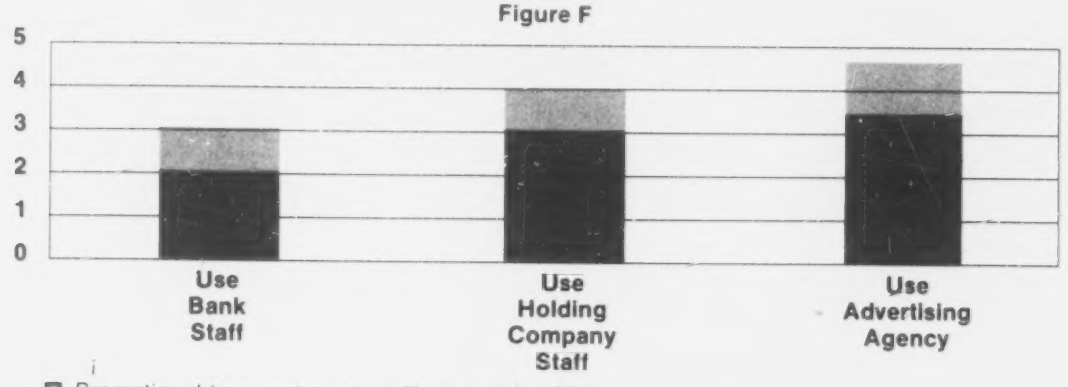
NUMBER OF MAILINGS BY ASSET SIZE
(1988 Actual, 1989 Expected)

Figure E



NUMBER OF MAILINGS BY ADVERTISING SOURCE
(1988 Actual, 1989 Expected)

Figure F



Responding banks also reported on the types of services they promoted with direct mail. The results, shown in Table 15, indicate that deposit and credit services are promoted most often, followed by corporate services. There also are differences in the types of services promoted based on the size of the bank.

Deposit Services

Fifty six per cent of banks under $100 million in assets promote deposit services by mail, somewhat higher than the 47% which reported promoting deposit services in 1985. Checking services are most likely to be promoted, followed by money market accounts. Both money market accounts and short term certificates receive more promotion now than in the 1985 *Analysis*. The proportion of smaller banks promoting IRAs has declined somewhat since 1985. Now, 15% of the smallest banks and 32% to 38% of the banks between $10 million and $100 million in assets promote IRAs by mail.

Among banks with more than $100 million in assets, 80% promote deposit services by mail, approximately the same proportion as in the 1985 study. However, in the 1985 *Analysis*, 70% to 93% promoted IRAs by mail, while only 44% to 64% promoted them this year. Nonetheless, IRAs are still the single deposit service which larger banks are most likely to promote. They also are likely to promote short term certificates (20% to 55%), checking (24% to 40%) and long term certificates (16% to 36%). Money market accounts are promoted by 16% to 29% of banks with more than $100 million in assets.

Credit Services

Forty seven per cent of banks with less than $100 million in assets promote credit services by mail, compared to 36% in the 1985 survey. The service they are most likely to advertise is installment loans (between 20% and 27% of the responding banks). Credit cards are promoted by 12% to 33% of smaller banks, significantly more than the 2% to 16% reported in 1985.

Home equity lines, which were promoted by 5% to 16% of respondents in 1985 were promoted by 4% to 30% of smaller banks in this year's *Analysis*. Other types of credit lines are promoted by 8% to 13% of banks with less than $100 million in assets. Mortgages are promoted by 12% to 18% of smaller banks, approximately the same percentage as in 1985.

Among banks with more than $100 million in assets, 84% promote credit services by mail, about the same percentage as in 1985. The proportion increases from 74% of the banks with $100 million to $250 million in assets to 91% of banks with $5 billion or more in assets.

Home equity lines are the product most likely to be promoted at larger banks, ranging from 51% to 91% of the banks. They have displaced credit cards which were the product promoted most by mail in 1985 and which this year declined to 27% to 82%. Other lines of credit are promoted by 16% to 55% of the larger banks. Mortgages are promoted by 14% to 20% of the larger banks.

Corporate Services

These services are promoted by about the same proportion of banks as in 1985. This year, 22% of banks under $100 million in assets promoted them while 32% of banks over $100 million promoted them. Deposit and loan corporate services are promoted about equally by smaller banks, averaging about 15% of banks in this size range. Institutional services are promoted by 8% or less of the same banks.

Among banks with more than $100 million in assets, business loans are promoted most often, by 10% to 17% of respondents, followed by institutional services, promoted by 9% to 18% of larger banks. Deposit services are promoted by 8% to 15% of larger banks, about the same proportion as in 1985.

TABLE 15
SERVICES PROMOTED BY DIRECT MAIL
(All Reporting Banks - 1988)

Type of Service	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Credit (Net)	**27%**	**49%**	**48%**	**63%**	**74%**	**79%**	**85%**	**90%**	**91%**
Credit Card	12	18	16	33	27	36	49	59	82
Installment	23	20	26	27	28	27	20	20	27
Home Equity	4	16	24	30	51	66	67	78	91
Other Line of Credit	8	13	11	12	19	16	22	33	55
Mortgage	15	15	12	18	20	18	18	14	18
Other Credit Services		1	7	6	2	5	2	6	
No Specific Type Given						1			
Deposit (Net)	**42**	**60**	**56**	**64**	**75**	**80**	**84**	**86**	**73**
Checking	23	46	33	38	38	35	40	24	36
Money Market	31	24	21	17	16	20	25	29	27
Short Term CDs	15	24	20	20	20	26	35	43	55
Long Term CDs	8	19	21	16	16	21	29	33	36
IRA	15	35	32	38	45	44	49	49	64
Other Deposit Services	15	6	8	13	13	19	18	10	
No Specific Type Given		1	1	*	1	2			
Corporate (Net)	**19**	**22**	**19**	**28**	**32**	**29**	**29**	**41**	**27**
Deposit	15	16	11	14	15	8	11	8	
Loans	15	16	15	13	17	10	13	14	
Ancillary			2	2	2	1	4	6	27
Institutional		4	8	8	10	14	11	18	9
Other			1	4	3	3	4	8	
No Specific Type Given				*					

* = Less than 0.5%

The *Analysis* tracks the usage and compensation of advertising agencies by responding banks. As shown in Figure G, bank size is an important factor influencing the usage of agencies.

Among all banks with assets below $100 million, about 78% rely on bank staff as their primary source for creating advertising, followed by outside agencies (17%) and holding company staff (3%). Their use of bank staff is up from 67% five years ago, while agency usage is down from 23%.

Not surprisingly, banks with assets over $100 million rely heavily on advertising agencies (71%) and much less on bank staff (21%). Another 7% use holding company staff. These patterns among the larger banks have held basically constant since 1983.

In general, as asset size increases the use of bank staff declines from a high of 92% among the smallest banks to 9% among the largest banks, and the use of advertising agencies increase from a low of 8% to a high of 90% as shown in Table 16.

Only 2% or less of all responding banks reported using a source other than those described above. Among these other sources are the media, freelancers or syndicators.

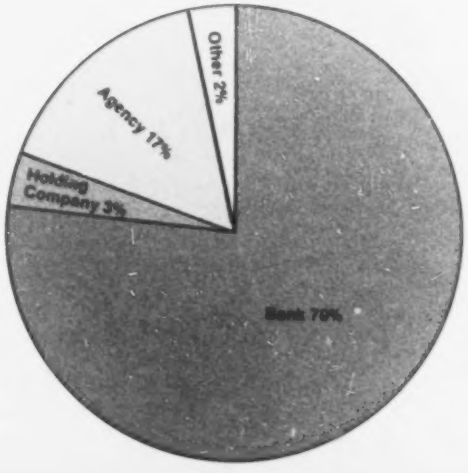
The use of advertising agencies is also influenced by the bank's market size as seen in Table 17. In the smallest markets (population under 100,000), banks indicate the highest use of bank staff at 66%, steadily declining to 21% as market size increases to populations of 1 million or more. Conversely, outside agency use increases from a low of 26% in the smallest markets to 74% in the largest. Across all market sizes, the use of bank staff has decreased and agency and holding company use have increased over the past five years.

Finally, agency usage also varies by the type of market in which the bank competes (Table 18). In statewide markets, 79% of responding banks used an advertising agency, while only slightly more than half of banks competing in more than one state (54%) and in urban markets (53%) reported doing so. Agency usage is even lower in suburban (42%) and rural markets (22%).

SOURCES FOR CREATING ADVERTISING

Figure G

Banks under $100 million



Banks over $100 million

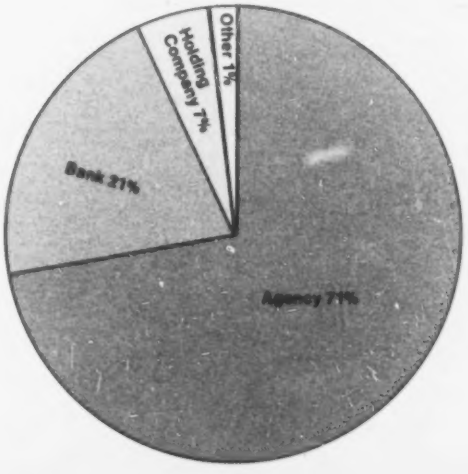


TABLE 16
BANK'S PRIMARY SOURCE FOR CREATING ADVERTISING DURING 1988
(All Reporting Banks - 1988, Percentages)

Primary Source	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Used Bank Staff	92%	82%	76%	63%	51%	26%	9%	10%	9%
Used Holding Company Staff		1	4	6	8	8	8		9
Used Outside Agency	8	17	17	27	39	64	83	90	82
Other		1	3	4	2	2			

TABLE 17
BANK'S PRIMARY SOURCE FOR CREATING ADVERTISING BY POPULATION
(All Reporting Banks - 1988, Percentages)

Primary Source	Population Size			
	Under 100,000	100,000-500,000	500,000-1 Million	1 Million or More
Used Bank Staff	66%	38%	28%	21%
Used Holding Company Staff	6	6	6	4
Used Outside Agency	26	54	62	74
Other	2	2	4	1

TABLE 18
BANK'S PRIMARY SOURCE FOR CREATING ADVERTISING BY MARKET TYPE
(All Reporting Banks - 1988, Percentages)

Primary Source	Market in Which Their Bank Competes for Retail Business				
	More than One State	Statewide	Urban	Suburban	Rural
Used Bank Staff	18%	19%	40%	48%	72%
Used Holding Company Staff	25	2	6	7	3
Used Outside Agency	54	79	53	42	22
Other	4		2	2	3

TABLE 19
HOW AGENCY WAS COMPENSATED FOR SERVICES IN 1988
(Banks Which Use Agencies)

Compensation Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Fees Only	—	56%	67%	62%	54%	33%	40%	36%	13%
Media Commissions Only	—	13	5	4	3	2		11	38
Both Fees and Commissions	100	31	29	34	42	65	60	53	50

TABLE 20
AVERAGE EXPENDITURE FOR FEES AND COMMISSIONS AT AN OUTSIDE ADVERTISING AGENCY
(Banks Which Use Agencies)

Compensation	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Number of Reporting Banks	d	5	6	17	37	31	20	16	4
Average Expenditure		$5.0	$8.0	$16.6	$23.3	$39.4	$110.4	$155.9	$436.9
Median Expenditure		2.8	5.0	10.0	20.0	38.9	100.0	130.0	410.0

d — Disclosure. Reporting this data could make it possible to identify an individual responding bank.

Compensation Method

Responding banks also are asked to indicate which method they use to compensate their advertising agency:

- Fees only
- Media commissions only
- Both fees and media commissions

As shown in Table 19, the method of compensation frequently is related to the size of the bank.

The use of fees only is most prevalent among smaller banks. For example, 56% to 67% of banks under $100 million use fees only. However, as the size of the bank increases, the percentage using this method declines to only 13% (among banks with more than $5 billion in assets).

The commission only method is used least often. Its use varies from 2% to 13% for banks under $500 million, but increases to 38% of the banks with more than $5 billion in assets. The increased use among the largest banks probably occurs because their large media budgets can provide more substantial compensation for their agency.

A combination of fees and commissions is used by about one third of banks under $100 million in assets. Its use increases to 42% to 65% of banks with more than $100 million in assets.

When compared to 1983's data, this year's methods reflect lower use of the commission only method and a general shift to fees only or both fees and commissions.

Compensation Amount

Those banks which indicated they used an advertising agency as their "primary source" of advertising also were asked to report the amount they paid their agency in fees and commissions in 1988.

The questionnaire specified that the reported amount should include expenditures for creative, supervisory and account management time, but should exclude production expenses such as artwork, or research and public relations fees. In comparing these fees to your own expenses, keep in mind that agency compensation methods can be relatively complex, and that there frequently are significant differences in billing methods among agencies. Therefore, use these data as general guidelines rather than as absolute or fixed amounts.

Average Expenditures

Table 20 shows both the average and median expenditures for responding banks. The average fees range from $5,000 to $16,600 for the smaller banks; from $23,300 to $110,400 among the middle tier banks, and from $155,900 to more than $436,000 among the largest banks. Generally, these fees are within normal statistical variance in comparison with last year's fees.

Median Expenditures

Among the smaller banks, there is considerable variance between the median and the average expenditures, but variance narrows somewhat among the larger banks. The actual medians range from $2,800 annually for banks under $10 million in assets, to $10,000 for banks between $50 and $100 million in assets. Median compensation is $20,000 for banks between $100 million and $250 million and increases to $100,000 among banks between $500 million and $1 billion. Among the largest banks, the median is $130,000 for banks between $1 billion and $5 billion in assets and increases to $410,000 among banks with more than $5 billion in assets.

TABLE 21
AVERAGE AND MEDIAN MARKETING EXPENDITURES FOR 1987/1988 BY ASSET SIZE
(All Reporting Banks - 1988, $000)

	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
1988 NON-SALARY MARKETING EXPENDITURES									
Number of Reporting Banks	26	105	140	210	269	97	55	49	11
Average Expenditure	**$ 12.4**	**$ 22.7**	**$ 37.5**	**$ 58.8**	**$124.2**	**$284.5**	**$588.7**	**$1461.4**	**$5333.4**
Minimum Expenditure	1.0	1.7	2.6	3.0	10.0	67.7	132.9	132.0	146.7
Maximum Expenditure	54.6	138.0	199.5	224.0	515.1	824.9	1601.8	4337.0	14860.0
Median Expenditure	**7.8**	**15.0**	**31.0**	**52.0**	**108.0**	**264.0**	**545.0**	**1242.5**	**4524.0**
1987 NON-SALARY MARKETING EXPENDITURES									
Number of Reporting Banks	17	82	93	165	212	82	48	38	9
Average Expenditure	**$ 7.2**	**$ 17.2**	**$ 30.0**	**$ 54.3**	**$111.3**	**$241.4**	**$525.5**	**$1294.7**	**$3041.3**
Minimum Expenditure	0.0	0.0	0.0	0.0	12.0	50.0	150.0	452.0	100.0
Maximum Expenditure	50.0	125.0	128.0	200.0	600.0	607.8	980.0	4070.0	4200.0
Median Expenditure	**4.0**	**12.0**	**27.0**	**50.0**	**99.6**	**200.0**	**510.0**	**985.0**	**3939.0**

Comparing 1987 and 1988

Table 21 provides for a concise comparison of 1987 and 1988 marketing expenditures of responding banks.

The table includes not only the average and median expenditures, but also the minimum and maximum expenditure reported in each case.

It should be noted that the 1987 data is derived from information provided by banks in this year's survey of 1988 expenditures and may differ from the data shown in the 6th edition of the *Analysis* which examined 1987 expenditures.

Increases in expenditures are shown in all asset categories for both the average and the median amounts, although the percentage increase varies significantly among the various ranges.

Total Industry Expenditures

Table 21 also can be used to create an estimate of what the banking industry at large in the United States spends on marketing, but there are a number of limiting biases. For example, the number of banks in each asset range changes annually, and responding banks, as mentioned earlier, may not have expenditures representative of all banks nationwide.

Readers interested in making such a projection despite these limitations may do so by multiplying the current number of banks in each asset range times the average expenditure for that range, then adding the total of the nine ranges.

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